EAST BAY DISCHARGERS AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

This Page Left Intentionally Blank

INTRODUCTORY SECTION

This Page Left Intentionally Blank

EAST BAY DISCHARGERS AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Table of Contents

EAST BAY DISCHARGERS AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Table of Contents

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITOR'S REPORTS:

East Bay Dischargers Authority

Commission
June 30, 2017

Member Agency and Representatives	Office
Castro Valley Sanitary District:	
Ralph Johnson	Chair
Dave Sadoff	Alternate
City of Hayward:	
Marvin Peixoto	Vice-Chair
Al Mendall	Alternate
City of San Leandro:	
Pauline Russo Cutter	Commissioner
Pete Ballew	Alternate
Union Sanitary District	
Jennifer Toy	Commissioner
Thomas Handley	Alternate
Oro Loma Sanitary District:	
Timothy Becker	Commissioner
Dan Walters	Alternate

Management Team

Michael S. Connor
General Manager/Treasurer-Controller

David A. Stoops
Superintendent of Operations and Maintenance

This Page Left Intentionally Blank

FINANCIAL SECTION

This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the East Bay Dischargers Authority (Authority), California, as of and for the years ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Authority as of June 30, 2017 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section and Supplementary Information Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
November 13, 2017

This Page Left Intentionally Blank

The management's discussion and analysis of the East Bay Dischargers Authority's financial performance provides an overall review of the Authority's financial activities for the fiscal year ended June 30, 2017. The intent of the management's discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Authority's financial performance.

Key Financial Highlights

- The Authority had total net position of $32,033,650 at June 30, 2017.
- The Authority's total operating revenues were $4,935,711 at June 30, 2017 and were comprised 83% from Member assessments.
- The Authority's total operating expenses were $5,455,880 at June 30, 2017 and were comprised 17% from depreciation and 83% from operations and maintenance costs (exclusive of depreciation expense).

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority as an entire operating entity.

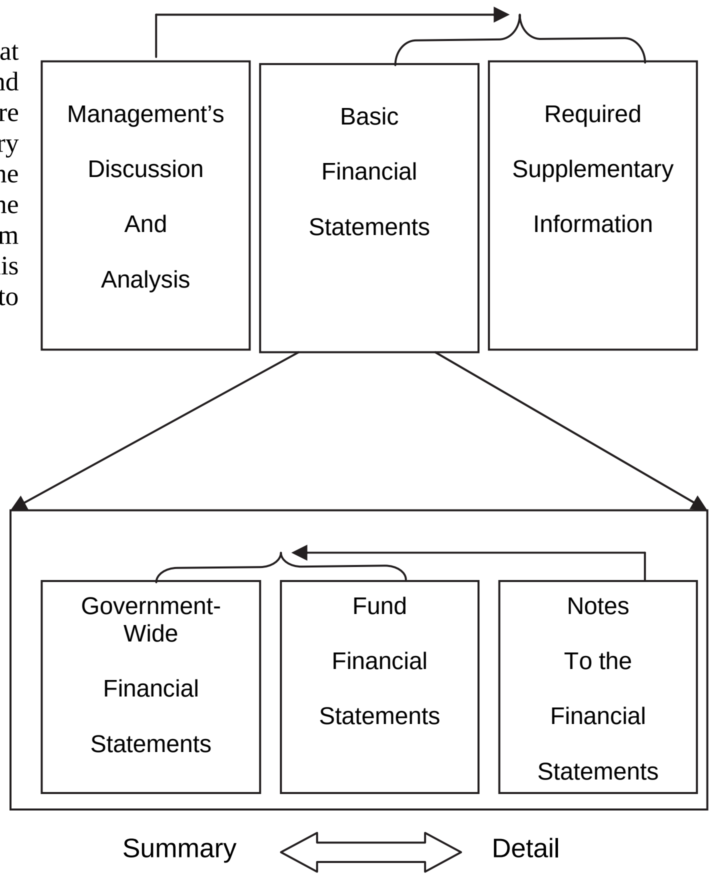
The Statement of Net Position and Statement of Activities provide information about the activities of the whole Authority, which presents an aggregate view of the Authority's finances. Fund financial statements provide the next level of detail.

Supplementary information included at the end of the financial statements includes the Authority's cumulative history of expenditures from its inception of the Capital Projects and Planning and Special Studies Funds. Additional schedules detail the cumulative history of Sole-Use projects of the Capital Projects Fund, Joint-Use projects of the Capital Projects Fund and Sole-Use projects of the Planning and Special Studies Fund.

Statement of Net Position and Statement of Activities

While this report contains the funds used by the Authority to provide programs and activities, the view of the Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Authority's budget for the fiscal year. The diagram presented here shows how the various parts of this annual financial report are arranged and related to one another.



The chart summarizes the major features of the Authority's financial statements, including the portion of the Authority's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the Government-Wide Fund Financial Statements

		Fund Statements		
	Government-Wide Statements	**Governmental Funds**	**Proprietary**	**Fiduciary**
Scope	Entire authority activities	N/A	The activities of the authority that are proprietary in nature	N/A
Required financial statements	Statement of Net Position Statement of Activities		Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position	
Accounting basis and measurement focus	Accrual accounting and economic resources focus		Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term		All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid		All revenues and expenses during the year, regardless of when cash is received or paid	

Fund Financial Statements

Fund financial reports provide detailed information about the Authority's funds. The Authority uses Enterprise funds to account for its activities. Enterprise funds utilize the full accrual basis of accounting. The full accrual basis of accounting is similar to accounting utilized by the private sector. The following describes the activities of the funds reported by the Authority:

Fund 12 - Operation and Maintenance Effluent Disposal - This fund covers all costs directly associated with the operation, maintenance and repair of the Joint Facilities including labor, materials, supplies, power, chemicals, utilities, professional or contractual services, research and monitoring, tools and equipment, to keep the facilities in proper operating condition and maintain its useful life, plus general administrative expenses, including depreciation, attributable to operation and maintenance activities.

Fund 13 - Special Projects (Planning and Special Studies Costs) - This fund covers those costs associated with advanced planning, facilities planning, feasibility studies, research and development, environmental evaluations and studies as related to the overall Joint Facilities or of general interest or benefit to all agencies.

Fund 14 - Water Recycling (Reclamation/Reuse) - This fund covers "Reclamation/Reuse" as approved by the Commission, including the Skywest Golf Course.

Fund 31 - Renewal and Replacement Fund - This fund covers current replacement costs based on capital projects, valuation provided by an outside consultant, and changes in the San Francisco Bay Area Consumer Price Index. A 30-year list is maintained and updated annually.

Annual approval by the Commission authorizes replacement of specific items each year. Replacement costs include purchase, taxes, shipping, installation, programming, and design when applicable.

Fund 41 - Capital Projects/Grants - None at this time.

Financial Analysis of the Authority as a Whole

The composition of the Authority's net position at June 30, 2017, is presented by category in the following table.

Table 1 - Summary of Net Position				
	2017	2016	Dollar Change	Percent Change
Assets				
Current Assets	5,315,299	5,536,274	(220,975)	-4.0%
Noncurrent Assets	27,841,436	28,269,208	(427,772)	-1.5%
Total Assets	33,156,735	33,805,482	(648,747)	-1.9%
Deferred outflow of resources Pension related	160,624	173,256	(12,632)	-7.3%
Liabilities				
Current Liabilities	452,521	791,861	(339,340)	-42.9%
Noncurrent Liabilities	727,912	547,706	180,206	32.9%
Total Liabilities	1,180,433	1,339,567	(159,134)	-11.9%
Deferred inflow of resources Pension related	103,276	122,501	(19,225)	-15.7%
Net Position				
Net Investment in Capital Assets	27,759,962	28,191,902	(431,940)	-1.5%
Unrestricted	4,273,688	4,324,768	(51,080)	-1.2%
Total Net Position	32,033,650	32,516,670	(483,020)	-1.4%

Current liabilities decreased by 42.9% from 2016. The increase in noncurrent liabilities is due to the recognition of EBDA's net pension liability of $657,244, which is an increase of $153,358 over 2106.

Table 2 shows the changes in net position for fiscal year 2017.

Table 2 - Changes in Net Position				
	2017	2016	Dollar Change	Percent Change
Revenues				
Program Revenues:				
Charges for Services	4,935,711	4,399,040	536,671	12.2%
General Revenues:				
Interest Income	37,149	25,072	12,077	48.1%
Total Revenues	4,972,860	4,424,112	548,748	12.4%
Program Expenses:				
Discharge Services	5,455,880	4,704,637	751,243	15.9%
Total Expenses	5,455,880	4,704,637	751,243	15.9%
Changes in Net Position	(483,020)	(280,525)	(202,495)	72.2%

Interest earnings from cash in banks, LAIF and certificates of deposit increased by 48.1%. Discharge services increased by 15.9% due to increased costs and activities in the Operations and Maintenance fund for pumping and treatment of flows.

Financial Analysis of the Authority's Funds

The Authority's enterprise funds report a combined net position of $32,033,650, which is a decrease from last year's total of $32,516,670. Table 3 provides an analysis of the Authority's net position by fund and the total change from the prior year.

Table 3 - Summary of Fund Net Position			
Funds	2017	2016	Increase (Decrease)
Operations and Maintenance	27,342,590	27,939,232	(596,642)
Water Recycling	169,697	136,136	33,561
Renewal and Replacement	4,481,378	4,401,319	80,059
Planning and Special Studies	28,215	28,213	2
Capital Projects	11,770	11,770	-
Total Enterprise Fund Net Position	32,033,650	32,516,670	(483,020)

Capital Assets

Capital assets in Table 4 are reflected at June 30, 2017, net of depreciation. Net capital assets decreased by 1.5% from 2016. The Authority uses $3,000 as its capitalization threshold. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives.

Table 4 - Summary of Capital Assets Net of Depreciation

Capital Asset	2017	2016	Dollar Change	Percent Change
Land	10,161	10,161	-	0.0%
Permanent Easements	432,177	432,177	-	0.0%
Building and Structures	529,918	516,285	13,633	2.6%
Sewage and Disposal Facilities	16,908,691	16,469,658	439,033	2.7%
Data Acquisition System	436,846	431,263	5,583	1.3%
Water Recycling Facilities	747,709	716,165	31,544	4.4%
Subsurface Lines	40,111,305	40,109,844	1,461	0.0%
Office Equipment	121,381	121,381	-	0.0%
Field Equipment	71,054	71,054	-	0.0%
Automotive Equipment	19,718	19,718	-	0.0%
Accumulated Depreciation	(31,628,998)	(30,705,804)	(923,194)	3.0%
Net Capital Assets	27,759,962	28,191,902	(431,940)	-1.5%

Factors Bearing on the Authority's Future

Significant economic factors affecting the Authority are as follows:

- The increasing age of the Authority's infrastructure will require increased capital spending from its Renewal and Replacement fund. The items with the greatest uncertainty for estimating their useful life had been EBDA's subsurface lines. EBDA has nearly completed a study to assess their condition and better estimate their useful life. At this point, no significant concerns have arisen from the study.

- Future environmental permit regulations may necessitate that the Authority improve its level of treatment, requiring higher capital outlays than currently planned.

- The difficult long-term issues affecting CalPERS' investment performance will impact the Authority's long-term salary and benefits costs.

- EBDA's General Manager will be retiring in the spring of 2018. The process to fill the position has begun.

Contacting the Authority's Financial Management

This financial report is designed to provide member agencies, citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the revenue it receives and the expenses it incurs. If you have any questions regarding this report or need additional financial information, contact:

Michael S. Connor, General Manager
East Bay Dischargers Authority
2651 Grant Avenue
San Lorenzo, CA 94580
(510) 278-5910
mconnor@ebda.org

East Bay Dischargers Authority
Statement of Net Position
June 30, 2017

	Business-type Activities
Assets	
Current Assets:	
Cash and investments (Note 3)	$5,043,873
Interest receivable	10,761
Accounts receivable	2,100
Due from other governments:	
Other agencies	177,520
Inventory	23,613
Prepaid expenses	55,962
Deposits	1,470
Total Current Assets	5,315,299
Noncurrent Assets:	
Net OPEB assets (Note 9)	81,474
Capital assets (Note 4):	
Land	10,161
Permanent easements	432,177
Buildings and structures	529,918
Sewage disposal facilities	16,908,691
Data acquisition system	436,846
Water recycling facilities	747,709
Subsurface lines	40,111,305
Office equipment	121,381
Field equipment	71,054
Automotive equipment	19,718
Less: accumulated depreciation	(31,628,998)
Total Capital Assets - Net	27,759,962
Total Noncurrent Assets - Net	27,841,436
Total Assets	33,156,735
Deferred outflow of resources:	
Pension related (Note 8)	160,624
Liabilities	
Current Liabilities:	
Accrued claims payable	386,235
Member agencies	57,729
Other agencies	8,557
Total Current Liabilities:	452,521
Noncurrent Liabilities:	
Net pension liability (Note 8)	657,244
Compensated absences (Note 5)	70,668
Total Noncurrent Liabilities	727,912
Total Liabilities	1,180,433
Deferred inflow of resources:	
Pension related (Note 8)	103,276
Net Position	
Net Investment in Capital Assets	27,759,962
Unrestricted	4,273,688
Total Net Position	$32,033,650

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Business-type activities:			
Discharge services	$5,455,880	$4,935,711	($520,169)
Total business-type activities	$5,455,880	$4,935,711	(520,169)
General revenues:			
Interest and investment earnings			37,149
Total general revenues			37,149
Change in net assets			(483,020)
Net position beginning			32,516,670
Net position ending			$32,033,650

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statements of Net Position
June 30, 2017
With Comparative Totals as of June, 30 2016

	Business-type Activities - Enterprise Funds						
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects	Total June 30, 2017	Total June 30, 2016
Assets							
Current Assets:							
Cash and investments	$411,146	$17,359	$4,500,741	$102,857	$11,770	$5,043,873	$5,332,819
Interest receivable			10,761			10,761	6,686
Accounts receivable	2,100					2,100	
Due from other governments:							
Other agencies	123,029		54,491			177,520	133,523
Due from other funds (Note 7)							11,958
Inventory	23,613					23,613	19,125
Prepaid expenses	33,252			22,710		55,962	42,541
Deposits	1,470					1,470	1,580
Total Current Assets	594,610	17,359	4,565,993	125,567	11,770	5,315,299	5,548,232
Noncurrent Assets:							
Net OPEB asset (Note 9)	81,474					81,474	77,306
Capital assets (Note 4):							
Land	10,161					10,161	10,161
Permanent easements	429,457	2,720				432,177	432,177
Buildings and structures	529,918					529,918	516,285
Sewage disposal facilities	16,908,691					16,908,691	16,469,658
Data acquisition system	436,846					436,846	431,263
Water recycling facilities		747,709				747,709	716,165
Subsurface lines	40,111,305					40,111,305	40,109,844
Office equipment	121,381					121,381	121,381
Field equipment	71,054					71,054	71,054
Automotive equipment	19,718					19,718	19,718
Less: accumulated depreciation	(31,049,355)	(579,643)				(31,628,998)	(30,705,804)
Total Capital Assets - Net	27,589,176	170,786				27,759,962	28,191,902
Total Noncurrent Assets - Net	27,670,650	170,786				27,841,436	28,269,208
Total Assets	28,265,260	188,145	4,565,993	125,567	11,770	33,156,735	33,817,440
Deferred Outflow of Resources							
Pension related (Note 8)	160,624					160,624	173,256
Liabilities							
Current Liabilities:							
Accrued claims payable	252,106	18,448	82,744	32,937		386,235	403,093
Due to other governments:							
Member agencies			1,871	55,858		57,729	369,549
Other agencies				8,557		8,557	19,219
Due to other funds (Note 7)							11,958
Total Current Liabilities:	252,106	18,448	84,615	97,352		452,521	803,819
Noncurrent Liabilities:							
Net pension liability (Note 8)	657,244					657,244	503,886
Compensated absences	70,668					70,668	43,820
Total Noncurrent Liabilities	727,912					727,912	547,706
Total Liabilities	980,018	18,448	84,615	97,352		1,180,433	1,351,525
Deferred Inflow of Resources							
Pension related (Note 8)	103,276					103,276	122,501
Net Position							
Net Investment in Capital Assets	27,589,176	170,786				27,759,962	28,191,902
Unrestricted	(246,586)	(1,089)	4,481,378	28,215	11,770	4,273,688	4,324,768
Total Net Position	$27,342,590	$169,697	$4,481,378	$28,215	$11,770	$32,033,650	$32,516,670

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds						
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects	Total June 30, 2017	Total June 30, 2016
Operating Revenues:							
Member assessments	$2,760,393		$448,129	$870,228		$4,078,750	$3,477,738
LAVWMA assessments	471,289		54,491	200,358		726,138	772,168
Sale of reclaimed water		$114,000				114,000	102,000
Other operating revenues	16,823					16,823	47,134
Total Operating Revenues	3,248,505	114,000	502,620	1,070,586		4,935,711	4,399,040
Operating Expenses:							
Personnel services	784,010	10,226		2,100		796,336	702,951
Depreciation	913,566	9,628				923,194	921,411
Professional services	385,664	9,030		386,730		781,424	724,110
Monitoring	194,242	12,120				206,362	150,396
Contract services	44,211			4,199		48,410	41,757
Operating supplies	336,579					336,579	155,421
Utilities	583,044	4,603				587,647	468,444
Insurance	45,072					45,072	41,606
Commissioners' compensation	37,908					37,908	34,866
Rent and lease	147,710			657,820		805,530	664,857
Repairs and maintenance	721,148	34,832				755,980	677,221
Permit fees	3,882					3,882	
Dues	97,735			19,735		117,470	115,630
Travel and meetings	4,622					4,622	3,782
Other general administrative	5,464					5,464	2,185
Total Operating Expenses	4,304,857	80,439		1,070,584		5,455,880	4,704,637
Operating Income (Loss)	(1,056,352)	33,561	502,620	2		(520,169)	(305,597)
Nonoperating Revenues (Expenses)							
Interest income			37,149			37,149	25,072
LAVWMA master agreement revenue				411,248		411,248	411,248
LAVWMA master agreement expense				(411,248)		(411,248)	(411,248)
Total Nonoperating Revenues (Expenses)			37,149			37,149	25,072
Other Financing Sources (Uses)							
Transfers in (Note 7)	459,710					459,710	669,367
Transfers out (Note 7)			(459,710)			(459,710)	(669,367)
Total Other Financing Sources (Uses)	459,710		(459,710)				
Change in Net Position	(596,642)	33,561	80,059	2		(483,020)	(280,525)
Net Position Beginning	27,939,232	136,136	4,401,319	28,213	$11,770	32,516,670	32,797,195
Net Position Ending	$27,342,590	$169,697	$4,481,378	$28,215	$11,770	$32,033,650	$32,516,670

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds						
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects	Total June 30, 2017	Total June 30, 2016
Cash Flows from Operating Activities:							
Cash received from members	$2,388,268		$450,000	$806,795		$3,645,063	$3,457,795
Cash received from LAVWMA	483,008		112,142	189,696		784,846	568,080
Cash received from others	14,723	$122,500				137,223	204,260
Cash payments for personnel services	(614,565)	(10,226)		(2,100)		(626,891)	(691,910)
Cash payments to suppliers for goods and services	(2,634,259)	(51,413)	(8,528)	(1,076,807)		(3,771,007)	(2,920,794)
Net Cash Provided (Used) by Operating Activities	(362,825)	60,861	553,614	(82,416)		169,234	617,431
Cash Flows from Capital and Related Financing Activities:							
Acquisition of capital assets	(459,710)	(31,544)				(491,254)	(682,052)
Net Cash Provided (Used) by Capital and Related Financing Activities	(459,710)	(31,544)				(491,254)	(682,052)
Cash Flows from Investing Activities:							
Interest on investments			33,074			33,074	21,324
Net Cash Provided (Used) by Investing Activities			33,074			33,074	21,324
Cash Flows from Non Capital and Related Financing Activities:							
Cash paid for interfund loans		(11,958)				(11,958)	(40,982)
Cash received from interfund loans	11,958					11,958	40,982
Interfund transfers	459,710		(459,710)				
Net Cash Provided (Used) by Non Capital and Related Financing Activities	471,668	(11,958)	(459,710)				
Net Increase (Decrease) in Cash and Cash Equivalents	(350,867)	17,359	126,978	(82,416)		(288,946)	(43,297)
Cash and Cash Equivalents Beginning	762,013		4,373,763	185,273	$11,770	5,332,819	5,376,116
Cash and Cash Equivalents Ending	$411,146	$17,359	$4,500,741	$102,857	$11,770	$5,043,873	$5,332,819

(Continued)

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds						
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects	Total June 30, 2017	Total June 30, 2016
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:							
Operating Income (Loss)	($1,056,352)	$33,561	$502,620	$2		($520,169)	($305,597)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	913,566	9,628				923,194	921,411
(Increase) decrease in assets and deferred outflows of resources:							
Accounts receivable							
Due from member agencies	(2,100)					(2,100)	
Due from other agencies	(123,029)	8,500	57,651			(56,878)	(19,896)
Inventory	(4,488)					(4,488)	8,338
Prepaid expenses	9,289			(22,710)		(13,421)	4,850
Deposits	110					110	(271)
Net OPEB Asset	(4,168)					(4,168)	(7,960)
Pension related deferred outflows of resources	12,632					12,632	(112,195)
Increase (decrease) in liabilities and deferred inflows of resources:							
Accrued claims payable	(31,889)	9,172	(8,528)	14,387		(16,858)	146,564
Member agencies			1,871	(63,433)		(61,562)	(19,943)
Other agencies	(237,377)			(10,662)		(248,039)	(129,066)
Net pension liability	153,358					153,358	245,175
Pension related deferred inflows of resources	(19,225)					(19,225)	(126,546)
Compensated absences	26,848					26,848	12,567
Net Cash Provided (Used) by Operating Activities	($362,825)	$60,861	$553,614	($82,416)		$169,234	$617,431

The notes to the financial statements are an integral part of this statement.

This Page Left Intentionally Blank

NOTE 1 – SUMMARY OF ORGANIZATION

East Bay Dischargers Authority (Authority) was formed on February 15, 1974, under a "joint exercise of powers agreement" entered into by the City of San Leandro, Oro Loma Sanitary District, Castro Valley Sanitary District, City of Hayward and Union Sanitary District (the Agencies). The Authority operates under a Commission consisting of a representative from each agency.

The purpose of the agreement is to provide for the "more efficient disposal of wastewater produced in each Agency, all to the economic and financial advantage of each Agency and otherwise for the benefit of each Agency; and, each of the Agencies is willing to plan with the other Agencies for joint wastewater facilities which will protect all the Agencies." Since the Authority's inception, it has administered numerous joint-use and sole-use grant funded construction and planning and special studies projects.

Legal title and all pertinent grant documents and conditions for sole-use facilities administered by the Authority under the grant program are transferred to the Owner-Agency upon completion of the project. Operation and maintenance of these sole-use facilities is the responsibility of the Owner-Agency.

Legal title and all pertinent grant documents and conditions for joint-use facilities remain with the Authority. Each Agency owns an undivided portion of the joint facilities used by it, equal to the percentage of project costs paid for it. Percentages are as defined by the Joint Exercise of Powers Agreement. Operations and maintenance of the completed joint-use facilities is the responsibility of the Authority.

The Authority operates under a National Pollutant Discharge Elimination System (NPDES) Permit No. CA 0037869 from the California Regional Water Quality Control Board to discharge up to 189.1 MGD of secondary treated wastewater to San Francisco Bay. It is the Authority's responsibility to ensure that all treatment of wastewater by each member agency is in compliance with the Federal Water Pollution Control Act (P.L. 92-500) and as amended by the Clean Water Act of 1986.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is defined as an accounting entity with a self-balancing set of accounts recording the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund types distinguish operating revenues and expenses from non-operating items. The operating expenses of the Authority are charged to the member agencies. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deferred outflow of resources is a consumption of net assets by the Authority that is applicable to a future reporting period. For example, prepaid items and deferred charges. Deferred inflow of resources is an acquisition of net assets by the Authority that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

B. Statement of Net Position

The statement of net position is designed to display the financial position of the Authority. The Authority's net position are classified into three categories as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The Authority had no restrictions as of June 30, 2017.

- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

C. Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income (loss). Revenues are reported by major source with operating revenues classified from the Authority's primary operating resources and all other revenue reported as non-operating revenue. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

The Authority must adopt a budget prior to June 1 of each year for the following fiscal year. The budget for the fiscal year beginning July 1, 2016, was adopted by the Commission on May 19, 2016. Formal budgetary integration is employed as a management control device during the year.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

F. Investments

If the difference between cost and fair value is deemed material and significant, investments are reported in the statement of net position at fair value. Changes in fair market value that occur during the fiscal year are recognized as investment income or loss reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The Authority participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

G. Receivables

Receivables include amounts due from member agencies and other agency assessments, other assessments and other resources. All receivables are current and reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts was zero as of June 30, 2017.

H. Funding

East Bay Dischargers Authority's capital projects and planning and special studies funds were funded by Federal, State, and Local agency grants and/or member agency contributions.

The eligible project's costs have been funded under the Clean Water Grants Program, which was administered by the Environmental Protection Agency (EPA) for the federal government and the State Water Resources Control Board (SWRCB) for the state government. The federal and state governments' share of the eligible projects costs were 75 percent and 12.5 percent, respectively.

The Authority's operations and maintenance is funded by the member agencies and other local agencies on the basis of formulas established in the Joint Powers Agreement and other service agreements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

East Bay Dischargers Authority is also funded for the future replacement of certain joint-use facilities by the member agencies and local agencies. Each year the Authority calculates the annual contribution required for Renewal and Replacement based upon the method adopted by the Commission. Contributions for Renewal and Replacement are made in accordance with Resolution No. 90-11, dated May 17, 1990, and as amended annually by resolution.

I. Inventories

Inventories are valued at cost using a first in, first out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

J. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of $3,000 or more and an estimated useful life of more than one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair value on the date received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Concrete and paving	40 years
Pavement	20 years
Structures	40 to 50 years
Mechanical and pump equipment	25 years
Electrical and plumbing	10 to 20 years
Piping-above ground	20 to 40 years
Subsurface lines	75 years
Motor control units	20 years
Heating, ventilating, and air-conditioning	20 years
Data acquisition system	5 years
Equipment and furnishings	5 to 20 years
Automotive equipment	8 years

K. Compensated Absences

Vacation Leave - All full-time regular employees other than temporary, provisional, or part-time employees shall earn vacation leave at the rate of 80 working hours per year from the date of employment. Employees shall not be permitted to take any vacation during the first six months of employment. Full time employees shall earn an additional eight (8) hours vacation leave allowance for each full year of continuous employment thereafter, up to a maximum of 160 working hours per year.

All part-time employees shall earn vacation leave at the rate of 8 working hours for each 200 hours worked from the date of employment, up to a maximum of 40 working hours per year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick Leave - Regular employees accrue sick leave at the rate of four (4) hours per payroll period, up to 96 hours per calendar year. Sick leave shall be cumulative without limit.

Part-time and Temporary Employees who work thirty (30) or more days within a year from the beginning of employment are entitled to paid sick leave. The Authority will grant three days of paid sick leave upon hire, and on January 1 of each calendar year. An employee may use paid sick leave beginning on the 90th day of employment.

The Authority's contract for retirement benefits provides that sick leave earned but unused upon the termination or death of any employee enrolled in the pension plan shall be applied to the employee's total service credit subject to the following specifications. Pursuant to GC§20965, the employee whose effective date of retirement is within four months of separation from employment shall receive credit toward his or her retirement equal to 0.004 years of service credit for each unused day (8 hours) of sick leave.

Upon the death of an employee prior to separation from employment, the employee's heir(s) or beneficiary(ies) shall receive compensation for sick leave earned but unused by the employee equal to 0.167% of the number of hours of sick leave, times the number of whole months of continuous employment, times the employee's hourly rate of pay at the time of death.

L. Allocation of Costs

Expenses are allocated to the various member agencies in accordance with the Joint Exercise of Powers Agreement.

M. Comparative Data

Comparative total data for the prior fiscal year has been presented in order to provide an understanding of the changes in the financial position, operations, and cash flows of the Authority.

N. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

O. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Q. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2017.

GASB Statement 74 *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans* - The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement had no effect on the financial statement.

GASB Statement 82 ***Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*** - This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement had no effect on the financial statements.

NOTE 3 – CASH AND INVESTMENTS

A. Policies

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry system*.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit or first trust deed mortgage notes with a value of 150% of the Authority's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the Authority's name and places the Authority ahead of general creditors of the institution pledging the collateral.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. In the Authority's case, fair value equals fair market value, since all Authority's investments are readily marketable.

B. Classification

The Authority's cash and investments consist of the following at June 30:

	2017	2016
Cash in banks	$1,148,112	$1,511,328
Local Agency Investment Fund (LAIF)	2,891,623	3,171,391
Certificate of Deposit	1,004,138	650,100
Total Cash and Investments	$5,043,873	$5,332,819

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the Authority's Investment Policy

The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the Authority's Investment Policy where it is more restrictive that address interest rate risk, credit risk and concentration of credit risk:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years		100%	No Limit
United States Government Agency Obligations	5 years		100%	No Limit
State of California Obligations	5 years		100%	No Limit
Local Agency Obligations	5 years		100%	No Limit
Banker's Acceptances	180 days		40%	30%
Commercial Paper	270 days	A-1	25%	10%
United States Medium Term Corporate Notes	5 years	AA	30%	No Limit
Negotiable Certificates of Deposit	1 year	AA	30%	No Limit
Local Agency Investment Fund	n/a		$40 million per account	No Limit
Local Government Investment Pools	n/a	AAA	100%	No Limit
Money Market Mutual Funds	n/a		15%	10%
Insured savings or money market accounts	n/a		100%	No Limit

D. Local Agency Investment Fund

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2017 and 2016, these investments matured in an average of 194 and 167 days, respectively.

NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value changes in market interest rates. The Authority generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity or earliest call dates, at June 30:

Type	12 Months or less	12-24 Months	25-60 Months	2017	2016
Cash in bank	$1,148,112			$1,148,112	$1,511,328
Local Agency Investment Fund (LAIF)	2,891,623			2,891,623	3,171,391
Certificate of Deposit	255,183	$399,850	$349,105	1,004,138	650,100
Total Cash and Investments	$4,039,735	$399,850	$349,105	$5,043,873	$5,332,819

F. Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the Authority's investments were invested in specific securities. All monies in the LAIF and Wells Fargo Advisors are not evidenced by specific securities; and therefore are not subject to custodial credit risk.

Bank balances are insured up to $250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). The Authority's cash in bank exceeded the insured limit by $898,112 as of June 30, 2017. None of the Authority's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts.

G. Concentration Risk

The Authority's investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. As of June 30, 2016, 57% of the Authority's cash was invested in LAIF, 23% was deposited in banks and 20% was invested in certificates of deposit. LAIF, cash in banks and certificates of deposit do not have maximum portfolio requirements under the California Government code.

NOTE 3 – CASH AND INVESTMENTS (Continued)

H. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Cash in bank and certificates of deposit are measured at cost. The California Local Agency Investment Fund are external investment pools measured at fair value, and exempt in the fair value hierarchy under GASB72.

NOTE 4 – CAPITAL ASSETS

The Authority's capital assets consisted of the following as of June 30, 2017:

Capital Assets - Cost	Balance at June 30, 2016	Additions	Balance at June 30, 2017
Capital assets not being depreciated:			
Land	$10,161		$10,161
Permanent Easements	432,177		432,177
Total capital assets not being depreciated	442,338		442,338
Capital assets being depreciated:			
Building and Structures:			
Operations center	516,285	$13,633	529,918
Sewage Disposal Facilities:			
San Leandro pump station	2,309,925	46,981	2,356,906
Oro Loma pump station	7,702,089	206,740	7,908,829
Marina Dechlorination Facility	2,788,967	29,060	2,818,027
Hayward pump station	951,947	114,959	1,066,906
Alvarado pump station	2,716,730	41,293	2,758,023
Data acquisition system	431,263	5,583	436,846
Water Recycling Facilities:			
Skywest Golf Course irrigation facilities	716,165	31,544	747,709
Subsurface Lines:			
Bay outfall	19,660,852	1,461	19,662,313
San Leandro to Marina forcemain	3,707,991		3,707,991
Marina to Oro Loma forcemain	5,515,909		5,515,909
Oro Loma to Hayward forcemain	2,748,322		2,748,322
Hayward to Alvarado forcemain	8,465,123		8,465,123
Seismic design	11,647		11,647
Office equipment	121,381		121,381
Field equipment	71,054		71,054
Automotive equipment	19,718		19,718
Total Capital Assets, Being Depreciated	58,455,368	491,254	58,946,622
Total Cost of Capital Assets	$58,897,706	$491,254	$59,388,960

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

Accumulated Depreciation	Balance at June 30, 2016	Additions	Balance at June 30, 2017
Building and Structures:			
Operations center	($419,385)	($11,807)	($431,192)
Sewage Disposal Facilities:			
San Leandro pump station	(979,287)	(57,159)	(1,036,446)
Oro Loma pump station	(4,868,351)	(130,542)	(4,998,893)
Marina Dechlorination Facility	(2,215,813)	(60,802)	(2,276,615)
Hayward pump station	(636,495)	(23,892)	(660,387)
Alvarado pump station	(1,796,774)	(68,855)	(1,865,629)
Data acquisition system	(364,661)	(18,427)	(383,088)
Water Recycling Facilities:			
Skywest Golf Course irrigation facilities	(570,015)	(9,628)	(579,643)
Subsurface Lines:			
Bay outfall	(9,156,847)	(261,892)	(9,418,739)
San Leandro to Marina forcemain	(1,733,574)	(49,616)	(1,783,190)
Marina to Oro Loma forcemain	(2,542,327)	(74,211)	(2,616,538)
Oro Loma to Hayward forcemain	(1,289,419)	(36,462)	(1,325,881)
Hayward to Alvarado forcemain	(3,938,776)	(116,104)	(4,054,880)
Seismic design	(8,854)	(466)	(9,320)
Office equipment	(94,454)	(3,331)	(97,785)
Field equipment	(71,054)		(71,054)
Automotive equipment	(19,718)		(19,718)
Total Accumulated Depreciation	(30,705,804)	(923,194)	(31,628,998)
Total Capital Assets Net of Accumulated Depreciation	$28,191,902	($431,940)	$27,759,962

NOTE 5 – COMPENSATED ABSENCES

The Authority’s noncurrent liabilities consisted of the following as of June 30:

	2017	2016
Beginning Balance	$43,820	$31,253
Additions	75,879	48,619
Payments	(49,031)	(36,052)
Ending Balance	$70,668	$43,820
Current Portion		
Non Current Portion	$70,668	$43,820

NOTE 6 – OPERATING LEASE COMMITMENTS

The Authority has a long-term operating lease on land, ending in the year 2020, with Oro Loma Sanitary District. Current payments on the lease are $5,300 per year. Since the lease terms will be modified every 5th year, the future commitments are based on the land lease dated April 12, 1979 as amended on July 1, 2015. The total lease obligation as of June 30, 2017 was as follows:

Fiscal Year Ending June 30	Lease Obligation
2018	$5,300
2019	5,300
2020	5,300
Total	$15,900

NOTE 7 – INTERFUND TRANSACTIONS

A. General

Interfund transactions are reported as either services provided, reimbursements, or transfers. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

B. Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the year ended June 30, 2017 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount
Operations and Maintenance	Renewal and Replacement	$459,710

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Authority contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Authority resolution. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from CalPERS, 400 Q Street, Sacramento, CA 95811.

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

Benefit formula	2.5% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%
Required employee contribution rates	8.000%
Required employer contribution rates	10.069%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for the Plan was $55,390.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the Authority reported net pension liabilities for its proportionate shares of the net pension liability in the amount of $657,244.

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30 is as follows:

	2017	2016	Change Increase/(Decrease)
Percentage of Risk Pool Net Pension Liability	0.028070%	0.018367%	0.009703%
Percentage of Plan (PERF C) Net Pension Liability	0.007595%	0.007341%	0.000254%

For the year ended June 30, 2017, the Authority recognized pension expense of $202,155. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$55,390	
Differences between actual and expected experience	1,551	$355
Change in employer's proportion	14,599	36,859
Differences between the employer's contributions and the employer's proportionate share of contribution	12,696	51,385
Changes in assumptions		14,677
Net differences between projected and actual earnings on plan investments	76,388	
Total	$160,624	$103,276

The $55,390 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2018	($28,237)
2019	(17,651)
2020	28,060
2021	19,786

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	(A)
Investment Rate of Return	7.5% (B)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(A) Depending on age, service and type of employment

(B) Net of pension plan investment expenses, including inflation

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent for Miscellaneous Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 -10 (a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* -** The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous Plan
1% Decrease	6.65%
Net Pension Liability	$1,201,334
Current Discount Rate	7.65%
Net Pension Liability	$657,244
1% Increase	8.65%
Net Pension Liability	$207,581

***Pension Plan Fiduciary Net Position* -** Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The Authority's Retiree Healthcare Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Authority. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees.

Full Retirement Benefit	
Eligibility Age	50
Service Required	5 years in PERS
Benefit Amount	For the two current retirees, payment of any PERS Kaiser Premium for retiree and eligible dependents. For others, payment of $460 monthly toward premiums or PERS Minimum if greater.
Benefit End	Paid for life
PERS Minimum Benefit	
Eligibility Age	50
Service Required	5 years in PERS
Benefit Amount	$125 in 2016, $128 in 2017. Indexed to the medical component of the Consumer price Index.
Benefit End	Paid for life
Post-retirement Death Benefit	Payment of one-party or two party Kaiser premium for eligible dependents for life of spouse or, while eligible, for children. Pay $460 for retirees with that cap.
Pre-retirement Death Benefit	Same as post-retirement death benefit.
Disability Benefit	Same as Full Retirement Benefit shown above, at any age, as long as service requirement is met.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. Funding Policy

There is no statutory requirement for the Authority to prefund its OPEB obligation. The Authority has currently chosen to fund the entire Annual Required Contribution (ARC). There are no employee contributions. For fiscal year ending June 30, 2017, the Authority paid $63,224 for retiree healthcare plan benefits. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

C. Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's Net OPEB obligation:

	2017	**2016**
Annual OPEB expense:		
Annual required contribution (ARC)	$59,242	$59,287
Interest on net OPEB Obligation	(5,628)	(4,397)
Adjustment to annual required contributions	5,442	1,497
Total annual OPEB expense	59,056	56,387
Change in net OPEB payable obligation:		
Age adjusted contributions made	(63,224)	(64,347)
Total change in net OPEB payable obligation	(4,168)	(7,960)
OPEB obligation (asset) - beginning of year	(77,306)	(69,346)
OPEB obligation (asset) - end of year	($81,474)	($77,306)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2017, are as follows:

Three-Year History of Net OPEB ASSET

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2017	$59,056	$63,224	107%	$81,474
2016	56,387	64,347	114%	77,306
2015	48,500	63,750	131%	69,346

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017, based on the plan's most recent actuarial valuation date of July 1, 2015, was as follows:

Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
$108,540	$732,077	$623,537	14.83%	$399,793	155.965%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 7.28% investment rate of return, which is the expected long-term investment return on Authority investments, a 3% general inflation assumption, and an annual aggregate payroll increase rate of 3%. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis, starting July 1, 2011.

NOTE 10 – JOINT POWERS ASSOCIATION

The Authority participates in a joint venture activity through a formally organized and separate entity, the Bay Area Clean Water Agencies (BACWA) established under the Joint Exercise of Powers Act of the State of California. As a separate legal entity, BACWA exercises full power and authority within the scope of the related Joint Powers Agreement including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the separate entity are not those of the Authority. BACWA was established by Central Contra Costa Sanitary District, East Bay Municipal Utility District, East Bay Dischargers Authority, the City and County of San Francisco, and the City of San Jose for the purpose of coordinating the water quality activities of the members, to jointly contract for consultant services that are of joint benefit and to interpret data collected by BACWA and by others, in order to assess the effects of pollution and other factors on the San Francisco Bay system. A summary of BACWA's June 30, 2017 and 2016 financial statements is as follows:

	2017	2016
Total Assets	$3,456,949	$3,790,215
Total Liabilities	172,665	188,469
Total Equity	3,284,284	3,601,746
Total Revenue	3,648,092	5,231,741
Total Expenditures	3,965,554	5,532,687

NOTE 11 – SELF INSURANCE

The Authority has limited pollution legal liability insurance coverage as provided by the California Sanitation Risk Management Authority (CSRMA). As of the audit date, the Authority had no claims. The possibility of an incurred but not reported claim is remote, as the Authority only discharges disinfected secondarily treated effluent. The Authority is exposed to various other risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. There were no settled claims in any of the past five fiscal years.

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2017:

	Limits	Deductibles
Excess Liability	$1,000,000,000	$15,500,000
General Liability	15,500,000	100,000
Pollution	1,000,000	25,000
Equipment	250,000	1,000

NOTE 12 – LEASE OF ADDITIONAL CAPACITY

The Authority signed an agreement with Livermore-Amador Valley Water Management Agency (LAVWMA) dated February 1, 1978, and as amended on March 26, 1981, June 20, 1985, and February 18, 1993. The purpose of the agreement was to allow LAVWMA to use the facilities of the Authority to discharge wastewater. The agreement provided for a reasonable method of allocating costs to LAVWMA that would be incurred as a result of the discharge rights. The term was for thirty years, with the right of renewal or early termination. The Authority signed an Interim Agreement with LAVWMA on March 18, 1998, to provide additional system discharge services.

The 1998 Interim Agreement provided for a capital buy-in fee of $7,000,000. LAVWMA elected to defer making payments until July 1, 2001. The Interim Agreement provided that buy-in fees accrue interest from October 1, 1997 through June 30, 2001. The final buy-in fee was $7,921,966. During the fiscal year, LAVWMA made an annual principal and interest payment of $256,276 and $154,972, respectively, totaling $411,248 towards the buy-in fee.

On April 26, 2007, the Authority and LAVWMA signed a new Master Agreement that supersedes all previous agreements. The purpose of the Master Agreement was to incorporate all applicable items from the previous agreements into a single document. All the financial terms and conditions for the lease of additional capacity from the Interim Agreement have been incorporated into the Master Agreement.

REQUIRED SUPPLEMENTAL INFORMATION

EAST BAY DISCHARGERS AUTHORITY

Cost-Sharing Multiple-Employer Defined Pension Plan

Last 10 Years*

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

	Miscellaneous Plan	
	6/30/2016	6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.007595%	0.007341%
Plan's proportion share of the Net Pension Liability (Asset)	$657,244	$503,886
Plan's Covered Payroll	377,037	393,451
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	174.32%	128.07%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.06%	78.40%

*- Fiscal year 2015 was the 1st year of implementation

EAST BAY DISCHARGERS AUTHORITY
Cost-Sharing Multiple Employer Defined Pension Plan
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	Miscellaneous Plan		
	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	$55,390	$43,419	$37,170
Contributions in relation to the actuarially determined contributions	(55,390)	(143,419)	(37,170)
Contribution deficiency (excess)	$0	($100,000)	$0
Covered payroll	$422,884	$377,037	$393,451
Contributions as a percentage of covered-employee payroll	7.25%	38.04%	9.45%

Notes to Schedule
Valuation date: 6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.65% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation

EAST BAY DISCHARGERS AUTHORITY
Schedule of Funding Status - Other Post-Employment Benefits Asset
Cost-Sharing Multiple Employer Defined Pension Plan
As of fiscal year ending June 30, 2017

Required Supplemental Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	$22,600	$529,600	$507,000	4.27%	$364,400	139.133%
7/1/2013	75,800	661,500	585,700	11.46%	354,700	165.125%
7/1/2015	108,540	732,077	623,537	14.83%	399,793	155.965%

SUPPLEMENTARY INFORMATION

East Bay Dischargers Authority
Operations and Maintenance Fund
Schedule of Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Operations and Maintenance Programs:			
General and administration	$901,758	$1,007,149	($105,391)
Outfall and forcemains	182,359	177,104	5,255
San Leandro pump station	101,908	101,373	535
Marina Dechlorination Facility	437,444	517,824	(80,380)
Oro Loma pump station	423,679	467,964	(44,285)
Hayward pump station	111,239	101,353	9,886
Alvarado pump station	353,259	281,721	71,538
Bay and effluent monitoring	597,008	736,803	(139,795)
Subtotal	$3,108,654	3,391,291	($282,637)
Depreciation Expense		913,566	
Total Expenses		$4,304,857	

East Bay Dischargers Authority
Operations and Maintenance Fund
Schedule of General and Administrative Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
General and Administrative Expenses:			
Salaries	$355,992	$411,972	($55,980)
Employee benefits	208,866	339,920	(131,054)
Commissioners' compensation	45,000	37,908	7,092
Deferred compensation	12,300	12,594	(294)
Insurance	16,000	14,508	1,492
Memberships	15,000	2,226	12,774
Supplies	5,000	10,326	(5,326)
Contractual services	25,000	21,576	3,424
Professional services	155,000	117,951	37,049
Printing and publications	1,500		1,500
Rental	7,100	5,300	1,800
Maintenance	21,000	12,854	8,146
Travel	17,000	4,622	12,378
Utilities	15,000	9,928	5,072
Other	2,000	5,464	(3,464)
Total Expenses	$901,758	$1,007,149	($105,391)

East Bay Dischargers Authority
Water Recycling Fund
Schedule of Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Water Recycling Programs:			
Skywest Golf Course Irrigation	$114,000	$70,811	$43,189
Subtotal	$114,000	70,811	$43,189
Depreciation Expense		9,628	
Total Expense		$80,439	

East Bay Dischargers Authority
Planning and Special Studies Fund
Schedule of Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Planning and Special Studies Fund:			
LAVWMA Master Agreement:			
City of San Leandro	$76,492	$76,492	
Oro Loma Sanitary District	79,371	79,371	
Castro Valley Sanitary District	42,770	42,770	
City of Hayward	135,712	135,712	
Union Sanitary District	76,903	76,903	
NPDES Permit Fees	450,000	405,101	$44,899
NPDES Permit Issues	40,000	65,058	(25,058)
NPDES Testing-Member Agencies	89,000	73,838	15,162
JPA Evaluation Studies	50,000	27,635	22,365
Regional Monitoring Plan	260,000	252,719	7,281
Outfall Pipe Inspection	75,000	158,838	(83,838)
Wetlands Climate Change			
EPA Sidestream			
Transport System Evaluation	150,000	67,660	82,340
Hayward Pump/Ponds			
Water Environment Research Foundation (WERF)	21,000	19,735	1,265
Total Expenses	$1,546,248	$1,481,832	$64,416

East Bay Dischargers Authority
Schedule of Cumulative Expenditures
Capital Projects and Planning and Special Studies Fund
From Inception to June 30, 2017

	Construction Fund					Planning and Special Studies Fund	Total
	Preliminary Engineering Step 1	Final Design Step II	Construction Step III	Construction Preservation	Right-of-Way Acquisitions		
Cumulative Balance - June 30, 2016	$1,793,555	$6,446,495	$131,368,161	$108,686	$1,428,899	$21,804,903	$162,950,699
Current year expenses						1,481,832	1,481,832
Cumulative Balance - June 30, 2017	1,793,555	6,446,495	131,368,161	108,686	1,428,899	23,286,735	164,432,531
Transfer of completed joint-use facilities to funds	(770,081)	(1,960,537)	(46,455,940)	(108,686)	(712,274)	(58,866)	(50,066,384)
Transfer of completed sole-use facilities to owner-agency	(901,554)	(3,844,269)	(84,746,231)		(716,625)		(90,208,679)
PreDischarge monitoring study expensed	(121,920)	(641,689)					(763,609)
Grants Close-Out Programs Expensed:							
Joint-use			(129,270)				(129,270)
Sole-use			(36,720)				(36,720)
Planning and Special Studies Programs Expensed:							
Joint-use						(20,935,839)	(20,935,839)
Sole-use						(2,292,030)	(2,292,030)
Total Construction In-Progress - June 30, 2017							

East Bay Dischargers Authority
Schedule of Sole-Use Projects
Capital Projects Fund
From Inception to June 30, 2017

COMPLETED PROJECTS	
City of San Leandro:	
Treatment plant improvements	$1,480,369
Secondary treatment improvements	6,216,527
Data Acquisition system	1,195
Completion contract	23,717
Site improvements at Marina Dechlorination Facility	15,466
Total San Leandro	7,737,274
Oro Loma/Castro Valley Sanitary Districts:	
Treatment plant improvements	1,183,182
Incinerator modifications	404,780
Dechlorination Facilities	76,321
Total Oro Loma/Castro Valley Sanitary Districts	1,664,283
City of Hayward:	
Treatment plant improvements	2,039,560
Sand filter	216,875
Innovative/alternative pilot study	184,413
Secondary treatment facilities - unit 1, fixed film reactor	6,064,511
Sludge drying beds	64,319
Oxidation ponds	842
Secondary treatment facilities - unit 2, wastewater plant	15,254,732
Total City of Hayward	23,825,252
Union Sanitary District:	
Dechlorination Facilities	140,235
Treatment plant	26,918,937
Rotating biological contactors modification	16,386
Alvarado to Newark force main	10,059,045
Newark to Irvington force main	13,311,800
Newark gravity sewer	224,495
Completion contracts	44,566
Newark pump station	3,039,602
Irvington pump station	2,072,808
Cathodic protection	112,138
Miscellaneous improvements	59,089
Demolition of Irvington treatment plant and miscellaneous improvements	647,388
Treatment plant expansion	1,477
Treatment plant odor control	283,904
Total Union Sanitary District	56,931,870
Skywest Golf Course Irrigation	50,000
Grants Close-Out Programs Expenses:	
City of San Leandro	5,492
City of Hayward	14,930
Union Sanitary District	16,298
Total Grants Close-Out Programs Expenses	36,720
TOTAL CAPITAL PROJECTS	$90,245,399

East Bay Dischargers Authority
Schedule of Joint-Use Projects
Capital Projects Fund
From Inception to June 30, 2017

COMPLETED PROJECTS:	
Operations Center	$456,205
Data acquisition system	405,827
Bay Outfall	19,475,150
San Leandro to Marina Forcemain	3,775,940
Marina to Oro Loma Forcemain	5,410,434
Oro Loma to Hayward Forcemain	2,760,721
Hayward to Alvarado Forcemain	8,656,375
San Leandro pump station	408,316
Oro Loma pump station	4,878,889
Hayward pump station	473,018
Union Sanitary District pump station	1,215,335
Marina Dechlorination Facility	1,139,870
Completion contracts	70,230
Site improvements at Marina Dechlorination Facility	121,240
Miscellaneous improvements	3,035
Systems modification	67,026
Cathodic protection	68,211
Skywest Golf Course Irrigation	619,712
Total	50,005,534
PreDischarge Monitoring Study Expensed	763,609
Grants Close-Out Programs Expensed	129,270
TOTAL	$50,898,413

East Bay Dischargers Authority
Schedule of Sole-Use Projects
Planning and Special Studies Fund
From Inception to June 30, 2017

City of San Leandro:	
NPDES testing	$410,950
Oro Loma/Castro Valley Sanitary Districts:	
Energy optimization study	52,280
NPDES testing	388,931
OLSD project assistance	10,261
Total Oro Loma/Castro Valley Sanitary Districts	451,472
City of Hayward:	
Hayward project assistance	52,465
NPDES testing	399,080
Russell City Energy Center	3,211
Total City of Hayward	454,756
Union Sanitary District:	
NPDES testing	653,608
Treatment plant expansion	933
USD project assistance	203,483
Total Union Sanitary District	858,024
LAVWMA:	
LAVWMA project studies	84,141
DSRSD:	
DSRSD Antidegradation Analysis	106,524
TOTAL PLANNING AND SPECIAL STUDIES	$2,365,867

This Page Left Intentionally Blank

OTHER INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the East Bay Dischargers Authority (Authority), California, as of and for the year ended June 30, 2017 and the related notes to the financial statements, and have issued our report thereon dated November 13, 2017. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 13, 2017 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
November 13, 2017

EAST BAY DISCHARGERS AUTHORITY

MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED
JUNE 30, 2017

This Page Left Intentionally Blank

EAST BAY DISCHARGERS AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2017

Table of Contents

This Page Left Intentionally Blank

MAZE & ASSOCIATES

MEMORANDUM ON INTERNAL CONTROL

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

In planning and performing our audit of the basic financial statements of the Authority as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the East Bay Dischargers Authority's (Authority) internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Commission, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
November 13, 2017

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

This Page Left Intentionally Blank

MAZE & ASSOCIATES

REQUIRED COMMUNICATIONS

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

We have audited the basic financial statements of the East Bay Dischargers Authority (Authority) for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards.*

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

GASB 73 – ***Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***

GASB 74 – ***Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans***

GASB 77 – ***Tax Abatement Disclosures***

GASB 80 – ***Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14***

These pronouncements became effective, but did not have a material effect on the financial statements.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

> *Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Authority. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> *Estimated Net OPEB Asset:* Management's estimate of the net OPEB asset is disclosed in Note 9 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the Authority. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> *Estimated Fair Value of Investments:* As of June 30, 2017 the Authority held approximately $5 million of cash and investments as measured by fair value as disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2017 These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2017.
>
> *Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 2J to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> *Estimate of Compensated Absences:* Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 2K and 4 to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the Authority's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Commission.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 13, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information which accompany the financial statements, but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

******

This information is intended solely for the use of the Commission and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
November 13, 2017